

PROGRAM NARRATIVE**192 Public Employees Retirement System****Date:** 12/23/2014**Time:** 12:00:23**Program:** PERS**Reporting level:** 00-192-100-00-00-00-00000000**Program Performance Measures**

Defined Benefit/Hybrid Retirement Plans. One of the goals of the agency is to provide benefit plans that are competitive and affordable. The agency measures this by comparing the plans administered by NDPERS to other public retirement systems, using a Public Fund Survey prepared by a national organization. This comparison shows that our retirement plans provide a competitive level of benefits at less than average costs however due to the recent downturn in the financial markets the actuarial projections show that the PERS retirement plans face a funding shortfall over the long term that will require increased contributions, earnings or benefit reductions to reverse.

Health Insurance Plan. One of the goals of the agency is to provide benefit plans that are competitive and affordable. The agency measures this by comparing the health plan administered by NDPERS to other health plans, using various national surveys. This comparison shows that our health plan provides a competitive level of benefits at less than average costs. The agency also monitors customer service provided by Blue Cross Blue Shield. Twice a year, BCBS provides performance statistics on their call center and average time to process claims. Performance is monitored to insure there are no unacceptable variances in the level of service provided.

Program Statistical Data**RETIREMENT:**

Participation in the retirement plans continues to grow. Since last biennium, there was a 9.8% increase in the number of participants in the defined benefit plan and a 3.5% increase in the number of political subdivisions who participate in the defined benefit plan. Following are statistics on participation in each of the retirement programs.

PERS Defined Benefit/Hybrid Retirement Plans

(Includes PERS, Highway Patrol, Judges, Law Enforcement and Prior Service Plans)

Non-retired Participants:	31,156
Retired Participants:	9,571
State Agencies:	96
Political Subdivisions:	327

Job Service Retirement Plan

Non-retired Participants:	13
Retired Participants:	216
State Agencies:	1
Political Subdivisions:	Not eligible for this plan

Defined Contribution Retirement Plan

Non-retired Participants:	286
Retired Participants:	13
State Agencies:	96
Political Subdivisions:	Not eligible for this plan

Deferred Compensation Plan

Total Participants:	10,536
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State Agencies: 96
Political Subdivisions: 119

Retiree Health Insurance Credit Plan

Non-retired Participants: 31,156
Retired Participants: 5,048
State Agencies: 96
Political Subdivisions: 327

GROUP INSURANCE:

Participation in the insurance plans continues to grow. Since last biennium, the number of participants in the health insurance plan increased by 4.4%, and participation in the voluntary insurance programs increased by 19.8%. The amount of coverage in force for the life insurance plan increased by 10.4%. Following are statistics on participation in each of the insurance programs.

Life Insurance

Active Members: 18,337
Retired Members: 3,081
State Agencies: 96
Political Subdivisions: 81
Coverage in force: \$1.512 billion

Health Insurance

Active Members: 21,116
Retired Members: 7,246
State Agencies: 96
Political Subdivisions: 193
Total Covered Lives: 65,199

Voluntary Insurance Programs**(Includes dental, vision and long term care plans)**

Active Members: 13,695
Retired Members: 3,263
State Agencies: 96
Political Subdivisions: Not eligible for these plans

Employee Assistance Program

Active Members: 15,602
Retired Members: N/A
State Agencies: 96
Political Subdivisions: Not eligible for this program

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There has been a decrease in participation in the medical and dependent care spending accounts as well as in the annual salary reductions. Following are statistics on participation in the FlexComp program.

Medical Spending accounts: 2,660
Dependent Care accounts: 417
State Agencies: 96
Political Subdivisions: Not eligible for this program
Annual salary reductions exceed \$5.6 million per year

Explanation of Program Costs

The salaries and wages line item accounts for 68% of the budget request for the agency. This includes funding for 33 FTE. The base budget includes additional funding of approximately \$275,000 to start addressing serious salary equity issues faced by the agency. Approximately 73% of the agency's positions are in either the first or second quartile of the pay grades. There are also several positions with similar C-Ratios, but with a wide range of years of service. The agency identified a goal of establishing a salary equity package to move staff up in the pay grades, so their C-Ratio is comparable to the average C-Ratio for all State employees in the same pay grade with similar years of service. With this proposal we are not attempting to match market salaries but only comparable state salaries. The agency feels this is important for both employee retention, recruitment and maintaining current work efforts.

Operating expenses account for 29% of the budget request. Information technology costs account for 55% of the operating expense line item. The agency's IT costs are a combination of fees paid to a software vendor to support the agency's new PERSLink system, as well as fees paid to ITD for hosting, disaster recovery, network and email access, document storage in FileNet and telecommunications. Postage, printing, office rent and operating fees and services represent 35% of the operating expense line item. The benefit programs administered by the agency serve over 40,000 active and retired members and over 400 employer groups, therefore, communication is a substantial portion of the printing and postage expenses.

The contingency line item accounts for 3% of the budget request.

All programs administered by the agency are funded through special funds.

Program Goals and Objectives**RETIREMENT:****Defined Benefit/Hybrid Retirement Plan:**

- Enable career employees to care for themselves and their dependents at retirement and to provide a plan that will reduce personnel turnover and encourage career employment to high grade men and women.

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- Establish a mechanism to insure that career employees can care for themselves and their dependents in retirement by maintaining the purchasing power of current retirement benefits.
- Improve the desirability of state and political subdivision employment by developing more options on how a member could access, contribute to, supplement, and draw their retirement funds.
- Insure that members will be better able to care for themselves and their dependents in retirement and to improve the desirability of state and political subdivision employment by providing incentives and rewards to members who engage in supplemental retirement savings.

Defined Contribution Retirement Plan:

- Provide an alternate defined contribution retirement plan for state employees that offers a diversified set of investment options.
- Provide information to each eligible employee in a timely manner.
- Establish investment guidelines for the funds and review their performance on a regular basis.
- Provide the members the opportunity for investment education through multiple channels such as on-site counseling, call centers and web access.

Deferred Compensation Plan:

- Provide a supplemental retirement plan that offers a diversified set of investment options that will allow employees to augment their retirement benefits.
- Establish investment guidelines for the Companion Plan funds and review their performance on a regular basis.
- Provide the members the opportunity for investment education through multiple channels such as on-site counseling, call centers and web access.
- To encourage and enroll all members who are eligible to participate in the plan.

Retiree Health Insurance Credit Program:

- Increase the retiree health insurance credit to reduce the health premium for retiree health insurance coverage.

GROUP INSURANCE:**Life Insurance:**

- Provide for a single, understandable and non-discriminatory life insurance plan to members at affordable premiums.
- Supplement the existing life insurance program with other programs.
- Have a premium structure that is the lowest and best available.

Health Insurance:

- Provide understandable options at affordable premiums which protect public employees and their families from excessive medical expense.
- Promote positive competition through PERS or group purchasing initiatives with providers who emphasize and practice the principles of continuous quality improvement.
- Develop and maintain an information database on quality and costs.
- Provide information and assistance in community, legislative and national matters related to health care services.
- Consider modifications and improvements to the benefit plan design that can be accomplished within the constraints of available funding.
- Encourage healthy lifestyles and preventative attitudes in an effective and cost efficient manner.
- To encourage our participating employers to sponsor wellness programs.

Voluntary Insurance Plans (Dental, Vision, Long Term Care):

- Provide state employees and retirees access to affordable dental, vision and long term care premiums that also provide for a reasonable level of coverage.

Employee Assistance Program:

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- Provide state employees access to an EAP that effectively responds to employee's needs as well as the needs of the employer.

FLEXCOMP:

- Administer a program that allows state employees to elect to reduce their salaries to pay for qualified insurance premiums, medical expenses and dependent care expenses on a pretax basis.
- Remain budget neutral - the employer FICA savings cover the expenses of administering the program.

REQUEST DETAIL BY PROGRAM

192 Public Employees Retirement System

Bill#: SB2022

Date: 12/23/2014

Time: 12:00:23

Biennium: 2015-2017

Program: PERS		Reporting Level: 00-192-100-00-00-00-00000000			
Description	Expenditures 2011-2013 Biennium	Present Budget 2013-2015	Budget Request Change	Requested Budget 2015-2017 Biennium	Optional Request 2015-2017
Salaries and Wages					
Salaries - Permanent	3,179,820	3,474,332	475,211	3,949,543	451,248
Salaries - Other	0	0	0	0	35,904
Temporary Salaries	1,335	22,320	(22,320)	0	91,488
Overtime	19,740	17,200	(5,000)	12,200	0
Fringe Benefits	1,239,516	1,502,487	84,941	1,587,428	200,116
Total	4,440,411	5,016,339	532,832	5,549,171	778,756
Salaries and Wages					
General Fund	0	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	4,440,411	5,016,339	532,832	5,549,171	778,756
Total	4,440,411	5,016,339	532,832	5,549,171	778,756
Accrued Leave Payments					
Salaries - Permanent	0	103,217	(103,217)	0	0
Total	0	103,217	(103,217)	0	0
Accrued Leave Payments					
General Fund	0	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	0	103,217	(103,217)	0	0
Total	0	103,217	(103,217)	0	0
Operating Expenses					
Travel	43,470	56,915	4,085	61,000	0
Supplies - IT Software	228,613	444,680	22,835	467,515	650
Supply/Material-Professional	4,028	4,101	0	4,101	0
Office Supplies	35,209	50,501	(6,765)	43,736	3,840
Postage	291,711	314,080	0	314,080	0
Printing	123,103	91,090	2,774	93,864	0
IT Equip Under \$5,000	28,958	64,000	(50,600)	13,400	4,800
Other Equip Under \$5,000	1,596	5,000	1,000	6,000	14,800
Office Equip & Furn Supplies	28,210	0	0	0	0
Insurance	3,706	4,800	0	4,800	0
Rentals/Leases-Equip & Other	13,742	20,460	0	20,460	0
Rentals/Leases - Bldg/Land	253,888	280,000	44,660	324,660	53,778
Repairs	11,321	12,096	0	12,096	0
IT - Data Processing	330,185	383,499	14,160	397,659	6,559

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Biennium: 2015-2017

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Description	Expenditures 2011-2013 Biennium	Present Budget 2013-2015	Budget Request Change	Requested Budget 2015-2017 Biennium	Optional Request 2015-2017
IT - Communications	49,080	48,386	0	48,386	2,880
IT Contractual Svcs and Rprs	347,428	352,200	41,321	393,521	221,430
Professional Development	38,020	46,112	0	46,112	0
Operating Fees and Services	65,951	73,995	39,000	112,995	0
Fees - Professional Services	82,823	28,979	0	28,979	0
Total	1,981,042	2,280,894	112,470	2,393,364	308,737
Operating Expenses					
General Fund	0	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	1,981,042	2,280,894	112,470	2,393,364	308,737
Total	1,981,042	2,280,894	112,470	2,393,364	308,737
Technology Project Carryover					
IT Contractual Svcs and Rprs	187,786	0	0	0	0
Total	187,786	0	0	0	0
Technology Project Carryover					
General Fund	0	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	187,786	0	0	0	0
Total	187,786	0	0	0	0
Contingency					
Special Line Other	0	250,000	0	250,000	0
Total	0	250,000	0	250,000	0
Contingency					
General Fund	0	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	0	250,000	0	250,000	0
Total	0	250,000	0	250,000	0
Total Expenditures	6,609,239	7,650,450	542,085	8,192,535	1,087,493

Funding Sources**Special Funds**

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192 Public Employees Retirement System

Biennium: 2015-2017

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Program: PERS		Reporting Level: 00-192-100-00-00-00-00000000			
Description	Expenditures 2011-2013 Biennium	Present Budget 2013-2015	Budget Request Change	Requested Budget 2015-2017 Biennium	Optional Request 2015-2017
003 Special Fund Budget	0	0	0	0	0
483 Public Employee Retirement Sys 483	6,609,239	7,650,450	542,085	8,192,535	1,087,493
Total	6,609,239	7,650,450	542,085	8,192,535	1,087,493
Total Funding Sources	6,609,239	7,650,450	542,085	8,192,535	1,087,493
FTE Employees	33.00	33.00	0.00	33.00	3.50

CHANGE PACKAGE DETAIL

192 Public Employees Retirement System

Bill#: SB2022

Date: 12/23/2014

Biennium: 2015-2017

Time: 12:00:23

Program: PERS			Reporting Level: 00-192-100-00-00-00-00000000			
Description	Priority	FTE	General Fund	Federal Funds	Special Funds	Total Funds

Base Budget Changes**One Time Budget Changes**

A-E 1 Remove one time expenditures		0.00	0	0	(22,000)	(22,000)
Total One Time Budget Changes		0.00	0	0	(22,000)	(22,000)

Ongoing Budget Changes

A-A 2 General operating expenses		0.00	0	0	134,470	134,470
Base Payroll Change		0.00	0	0	429,615	429,615
Total Ongoing Budget Changes		0.00	0	0	564,085	564,085
Total Base Budget Changes		0.00	0	0	542,085	542,085

Optional Budget Changes**Ongoing Optional Changes**

A-C 5 Perslink Refinements	1	0.00	0	0	147,000	147,000
A-C 6 Accounting Position	2	1.00	0	0	216,069	216,069
A-C 7 Benefits Position	3	0.50	0	0	51,346	51,346
A-C 8 Temprary Position	4	0.00	0	0	122,352	122,352
A-C 9 RHIC Portability	5	0.00	0	0	43,052	43,052
A-C 10 Website Redesign	6	0.00	0	0	73,880	73,880
A-C 11 Secure Reception area	7	0.00	0	0	27,500	27,500
A-C 12 Self Funded Insurance	8	2.00	0	0	406,294	406,294
Total Ongoing Optional Changes		3.50	0	0	1,087,493	1,087,493
Total Optional Budget Changes		3.50	0	0	1,087,493	1,087,493